



# NORTH CAROLINA GENERAL ASSEMBLY

Session 2021

## Fiscal Analysis Memorandum

**CONFIDENTIAL**

**Requestor:** Senators Daniel, Rabon, and Newton  
**Analyst(s):** Denise Canada  
**RE:** PCS to S388, Qualifying Farmer Zoo Sales Tax Exemption

### SUMMARY TABLE

FISCAL IMPACT OF PCS to S.B. 388					
	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>
<b>State Impact</b>					
General Fund Revenue	-	-	-	-	-
Less Expenditures	-	-	-	-	-
<b>General Fund Impact</b>	<b>Likely insignificant revenue loss - refer to Fiscal Analysis Section</b>				
<b>NET STATE IMPACT</b>	-	-	-	-	-
<b>Local Impact</b>					
Local Revenue	-	-	-	-	-
Less Local Expenditures	-	-	-	-	-
	<b>Likely insignificant revenue loss - refer to Fiscal Analysis Section</b>				
<b>NET LOCAL IMPACT</b>	-	-	-	-	-

### FISCAL IMPACT SUMMARY

The PCS expands the scope of the existing sales and use tax exemptions for Qualified Farmers to exempt items used in the farmer's zoo operations. The PCS will reduce State and local sales tax collections by an unknown amount; the impact on overall collections is expected to be minimal.

### FISCAL ANALYSIS

#### Background

Under G.S. 105-164.13E, multiple types of items purchased by a qualifying farmer for use in farming are exempt from sales and use tax. The current exemption includes a variety of farm-related items such as farm machinery, electricity if metered separately, and seeds. Under G.S. 105-

164.13E.(a), a “qualifying farmer” is a person whose annual income from farming operations averages at least \$10,000 per year.

The PCS expands this exemption so that items purchased by a qualifying farmer for use in the farmer's zoo operations are also exempt.

#### Fiscal Impact

According to data from the Department of Revenue, the current exemptions for qualifying farmers under G.S. 105-1643.13E cost the State just over \$297 million in lost tax revenue for FY 2020-21. Based on that figure, the exemptions also will cost local governments Statewide approximately \$138 million this fiscal year. Expanding the exemption to include items purchased for use in zoo operations by a qualifying farmer would reduce State and local tax revenue further, but by an unknown amount. The revenue loss is expected to be minimal relative to the State's nearly \$8 billion in annual sales tax collections.

The revenue loss cannot be quantified because there is no data available on how many North Carolina qualifying farmers operate zoos. Also, it is presumed that the zoos operated by qualifying farmers are relatively small zoos, and no data exists about the spending of small and/or privately-owned zoos on the types of items exempt from tax in the PCS.

#### **TECHNICAL CONSIDERATIONS**

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N/A.

#### **DATA SOURCES**

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North Carolina Department of Revenue

#### **FISCAL ANALYSIS MEMORANDUM – PURPOSE AND LIMITATIONS**

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